GOVERNMENT OF INDIA
FINANCE
LOK SABHA

STARRED QUESTION NO:251
ANSWERED ON:08.12.2006
SHARING SERVICE TAX WITH STATES
Satpathy Shri Tathagata

Will the Minister of FINANCE be pleased to state:

(a) The total service tax collected during each of the last two financial years, State-wise ;

(b) Whether the Government has any proposal to share service tax with the States ;

(c) If so, the details thereof ;

(d) Whether the Empowered Committee on VAT has also made recommendations to this effect; and

(e) If so, the details thereof and the reaction of the Government thereto ?

Answer

MINSITER OF THE STATE IN THE MINISTRY OF FINANCE MINISTER(SHRI P.CHIDAMBARAM)

(a),(b),(c),(d) and (e): A statement is placed on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO THE LOK SABHA STARRED QUESTION NO. 251 RAISED BY SHRI TATHAGATA SATPATHY FOR 8TH DECEMBER, 2006 REGARDING SHARING SERVICE TAX WITH STATES [POSITION NO. 10]

Part (a): The amount of service tax collected during the financial year 2004-05 and 2005-06 are Rs. 14,200 crore and Rs. 24,039 crore (provisional), respectively. Service tax collection is not collated State-wise.

Part (b) & (c): Presently, the proceeds of Service Tax are shared between the Centre and the States as per provisions of Article 270 of the Constitution of India. As part of the package to compensate the States for revenue loss on account of the proposed phasing out of the Central Sales Tax (CST), the Central Government has proposed collection and appropriation of the proceeds of certain specified services which are of intra-state nature.

Part (d) & (e): The Empowered Committee of State Finance Ministers (EC) had proposed in their letter dated 26.05.2006 that,-

(i) The share of States in Service Tax should be increased from 30.5% to 50% and the incremental 19.5% share should be distributed amongst the States in the ratio of CST collections, and

(ii) 124 specified services of intra-State nature identified by the EC (including 67 Services presently being taxed by the Centre) should be transferred to the States for collection and appropriation of Service Tax.

Regarding increase in the share of States in Service Tax, the EC has been informed that the Central Government has no proposal at present to increase the share of States in Service Tax.

Regarding collection and appropriation of service tax by States on certain specified services, the consultation process with the EC continues.